

30 October 2023

India | Equity Research | Q2FY24 result review

TTK Prestige

White Goods

Benefits of investments to arrest market share decline in FY25-26

TTK's Q2FY24 primarily indicates impact of steep increase in competitive intensity. Revenues declined 13.4% YoY with likely market share loss (in our view) on subdued consumer demand and aggressive discounting by peers. We model weak performance in Q3FY24 but a recovery by Q4FY24 and H1FY25. We expect benefits of investments to be realised in FY25 and beyond. Key initiatives by TTK: (1) higher investments in Judge brand and likely market share gains at bottom-of-pyramid, (2) likely launch of premium brand to tap consumers at top end and (3) favourable base. We remain structurally positive on TTK Prestige due to high RoCE, FCF generation, established brand, distribution and strong promoter/ management background. Maintain **BUY**.

Q2FY24 results

TTK reported revenue, EBITDA and PAT decline of 13.4%, 31.7% and 29.3%, respectively YoY. Higher competitive intensity has likely led to market share losses at bottom-of-pyramid, in our view. Higher discounting by unorganised / smaller brands have resulted in lower market shares. Gross margin expanded 126bps YoY on lower input prices. EBITDA margin contracted 297bps YoY due to negative operating leverage. Other income was up 108% YoY.

Segment-wise performance

Segment-wise growth rates: Cookers -13.3%, Cookware -12.0% And Appliances -20.3%. We note high inventory in trade, higher base and steep competition at bottom-of-pyramid is weighing on the company's performance. TTK plans to arrest decline in market share via a multi-brand strategy: (1) introduction of Judge brand at bottom-of-pyramid, (2) launch of a premium brand to tap consumers at top end and (3) strengthening of Prestige brand via investments in distribution network.

Valuation and risks

We model TTK Prestige to report revenue and PAT CAGR of 4.2% and 6.2%, respectively over FY23-25. We also model the FCF generation to remain strong. We also model revival H1FY25 onwards due to favourable base and improving maturity of Judge brand. We maintain BUY rating with DCF based revised target price of INR 920 (implied P/E 44x FY25E). Key risks are steep inflation in commodity prices and competition and failure of new products.

Financial Summary

Y/E March (INR mn)	FY23A	FY24E	FY25E	FY26E
Net Revenue	27,771	26,904	30,159	33,818
EBITDA	3,585	3,040	4,011	4,633
EBITDA Margin (%)	12.9	11.3	13.3	13.7
Net Profit	2,542	2,113	2,867	3,340
EPS (INR)	18.3	15.2	20.7	24.1
EPS % Chg YoY	(16.8)	(16.9)	35.7	16.5
P/E (x)	43.2	51.9	38.3	32.9
EV/EBITDA (x)	28.5	33.1	24.8	21.1
RoCE (%)	11.7	8.8	11.3	12.2
RoE (%)	13.8	10.6	13.4	14.3

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Market Data

Market Cap (INR)	110bn
Market Cap (USD)	1,318mn
Bloomberg Code	TTKPT IN
Reuters Code	TTKL.BO
52-week Range (INR)	960 /652
Free Float (%)	29.0
ADTV-3M (mn) (USD)	1.0

Price Performance (%)	3m	6m	12m
Absolute	2.7	9.8 (14.8)	
Relative to Sensex	6.1	3.5 (22.9)	

ESG Disclosure	2021	2022	Change
ESG score	-	-	-
Environment	-	-	-
Social	-	-	-
Governance	-	-	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
Revenue	(4.0)	(3.9)
EBITDA	(20.8)	(10.0)
EPS	(22.0)	(10.9)

Previous Reports

13-08-2023: [Q1FY24 results review](#)

26-05-2023: [Q4FY23 results review](#)

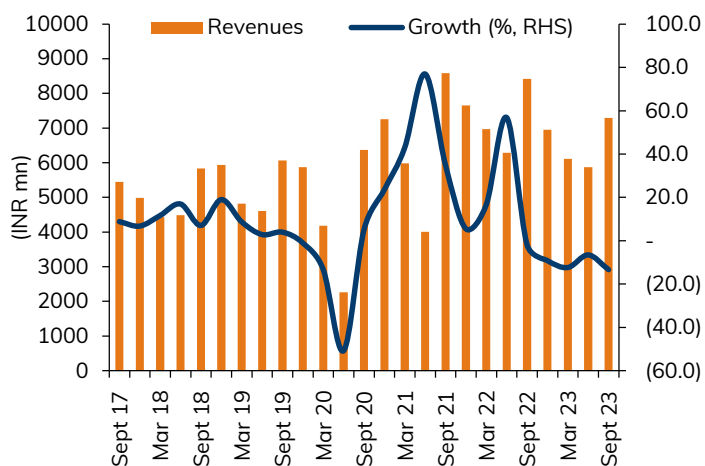
Exhibit 1: Q2FY24 financial performance

Y/e March (INR mn)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)
Revenue	7,295	8,424	(13.4)	5,876	24.1
Expenditure					
Raw materials	4,310	5,084	(15.2)	3,355	28.5
% of revenue	59.1	60.3		57.1	
Employee cost	697	563	23.9	646	7.9
% of revenue	9.6	6.7		11.0	
Other expenditure	1,479	1,594	(7.2)	1,269	16.5
% of revenue	20.3	18.9		21.6	
Total expenditure	6,486	7,240	(10.4)	5,270	23.1
EBITDA	808	1,184	(31.7)	606	33.4
EBITDA margin	11.1	14.1		10.3	
Other income	178	86	107.6	211	(15.8)
PBDIT	986	1,269	(22.3)	817	20.7
Depreciation	159	124	28.6	147	8.0
PBIT	827	1,145	(27.8)	669	23.5
Interest	32	8	288.9	27	17.1
PBT	795	1,137	(30.1)	643	23.8
Prov. for tax	205	292	(30.0)	169	20.8
% of PBT	25.7	25.7		26.4	
Adjusted PAT	590	845	(30.1)	473	24.8
Extra ordinary items	(47)	(116)	-	20	-
Reported PAT	544	729	(25.4)	493	10.3

Source: Company data, I-Sec research

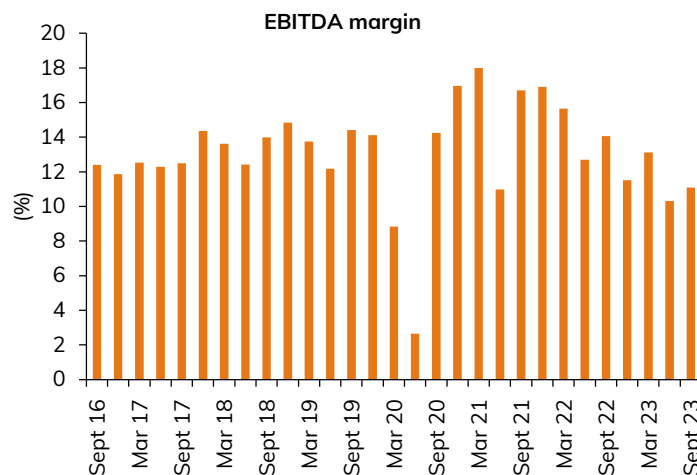
Key performance highlights

Exhibit 2: Revenue and revenue growth



Source: Company data, I-Sec research

Exhibit 3: EBITDA margin



Source: Company data, I-Sec research

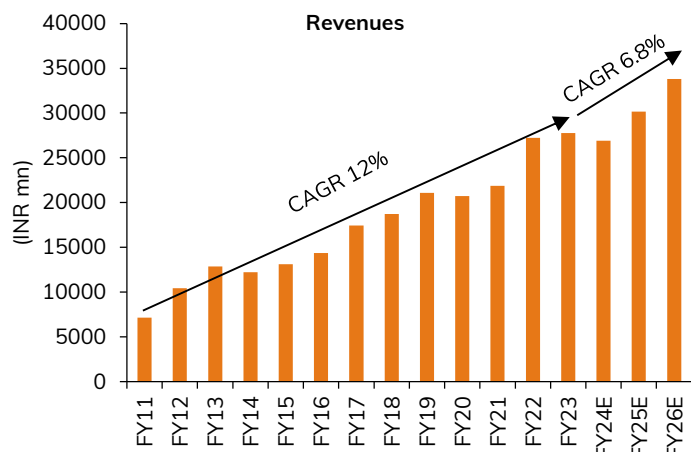
Exhibit 4: Q2FY24 segment-wise performance

Particulars	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)
Revenues (INR mn)					
Cookers	2,162	2,495	(13.3)	1,784	21.2
Cookware	1,149	1,307	(12.0)	899	27.8
Appliances	3,184	3,996	(20.3)	2,512	26.8
Others	341	282	20.8	306	11.5
Subsidiary sales	458	345	32.8	376	21.8
Total	7,295	8,424	(13.4)	5,876	24.1
As % of Sales					
Cookers	29.6%	29.6%		30.4%	
Cookware	15.8%	15.5%		15.3%	
Appliances	43.7%	47.4%		42.7%	
Others	4.7%	3.3%		5.2%	
Subsidiary sales	6.3%	4.1%		6.4%	
Total	100.0%	100.0%		100.0%	

Source: Company data, I-Sec research

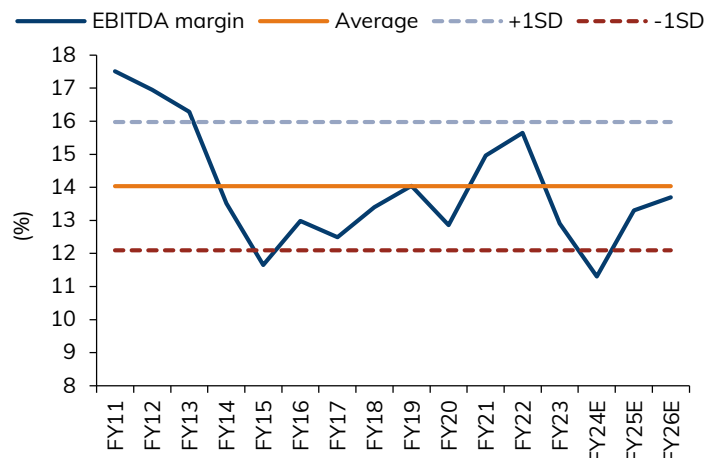
Key ratios – Annual

Exhibit 5: Revenue and revenue growth



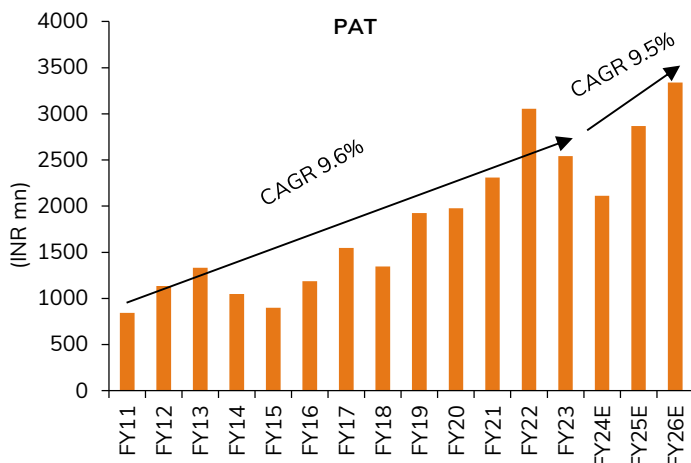
Source: Company data, I-Sec research

Exhibit 6: EBITDA margin



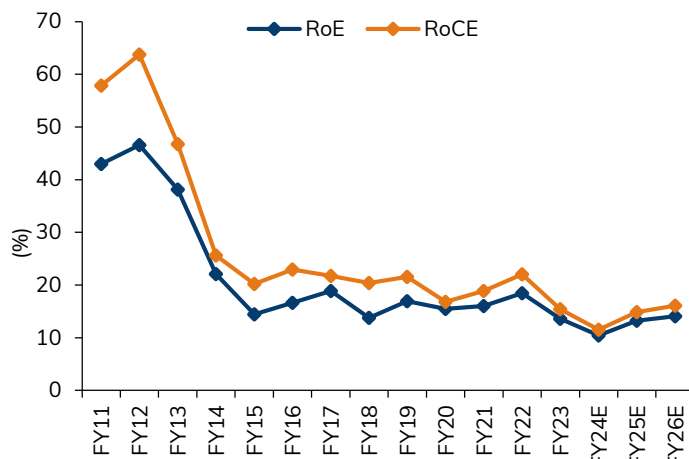
Source: Company data, I-Sec research

Exhibit 7: PAT and PAT growth



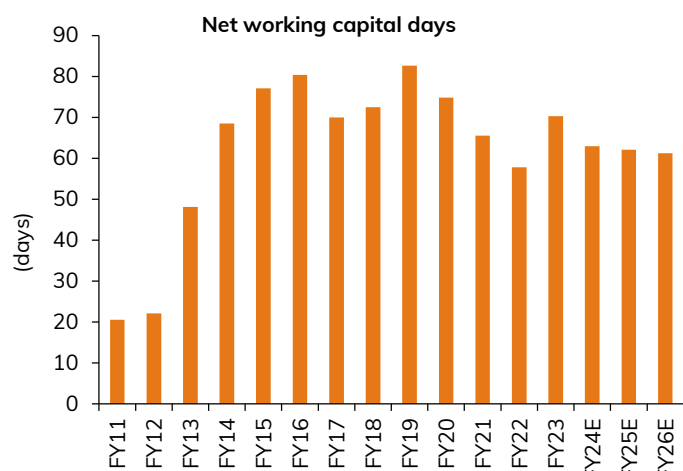
Source: Company data, I-Sec research

Exhibit 8: RoE and RoCE



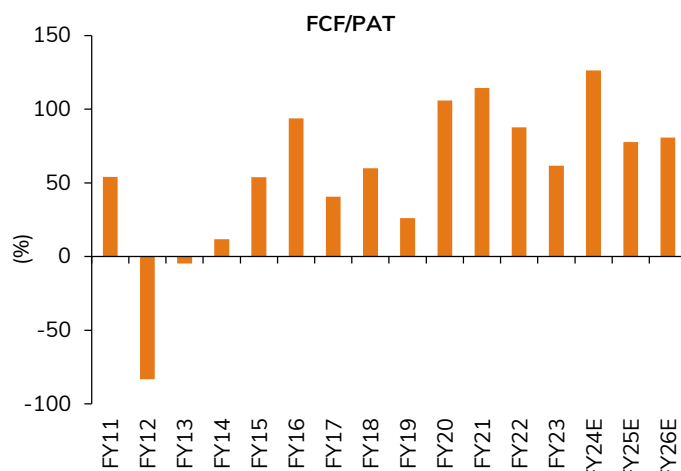
Source: Company data, I-Sec research

Exhibit 9: Net working capital days



Source: Company data, I-Sec research

Exhibit 10: FCF/PAT (%)



Source: Company data, I-Sec research

Valuation and risks

We model TTK Prestige to report revenue and PAT CAGRs of 4.2% and 6.2% over FY23-FY25E and RoE higher than cost of capital over FY23-25. At our DCF-based target price of INR 920, implied P/E works out to 44x FY25E EPS. Maintain **BUY**.

Exhibit 11: DCF-based valuation

Particulars	Amt (INR)
Cost of Equity	11.0%
Terminal growth rate	5.0%
Discounted interim cash flows	37,454
Discounted terminal value	90,058
Total equity value	1,27,512
Value per share (INR)	920

Source: Company data, I-Sec research

Risks

Sharp increase in input prices and competitive pressures

Major increase in input prices and/or increase in competitive pressures will likely result in downside to our estimates.

Delays in launch of new plants/products

Any delays in launch of new products and/or plants may result in lower earnings than estimated.

Exhibit 12: Shareholding pattern

%	Mar'23	Jun'23	Sep'23
Promoters	70.4	70.4	70.4
Institutional investors	22.1	21.6	21.4
MFs and others	13.3	12.7	11.1
FIs/Banks	-	-	-
Insurance	0.1	0.9	2.1
FIIIs	8.7	8.1	8.2
Others	7.5	8.0	8.2

Source: Bloomberg

Exhibit 13: Price chart



Source: Bloomberg

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Net Sales	27,771	26,904	30,159	33,818
Operating Expenses	24,186	23,864	26,148	29,185
EBITDA	3,585	3,040	4,011	4,633
EBITDA Margin (%)	12.9	11.3	13.3	13.7
Depreciation & Amortization	530	549	599	648
EBIT	3,055	2,491	3,412	3,985
Interest expenditure	80	106	97	89
Other Non-operating Income	457	439	518	569
Recurring PBT	3,432	2,824	3,833	4,465
Profit / (Loss) from Associates	22	-	-	-
Less: Taxes	882	712	966	1,125
PAT	2,550	2,113	2,867	3,340
Less: Minority Interest	(15)	-	-	-
Extraordinaries (Net)	32	-	-	-
Net Income (Reported)	2,574	2,113	2,867	3,340
Net Income (Adjusted)	2,542	2,113	2,867	3,340

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Total Current Assets	16,126	17,440	19,582	22,324
of which cash & cash eqv.	5,956	7,552	8,570	10,055
Total Current Liabilities & Provisions	4,823	5,246	5,881	6,595
Net Current Assets	11,302	12,193	13,701	15,730
Investments	2,815	2,815	2,815	2,815
Net Fixed Assets	5,275	5,524	5,675	5,777
ROU Assets	-	-	-	-
Capital Work-in-Progress	98	-	-	-
Total Intangible Assets	1,561	1,561	1,561	1,561
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	21,051	22,094	23,752	25,883
Liabilities				
Borrowings	1,331	1,231	1,131	1,031
Deferred Tax Liability	303	303	303	303
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	139	139	139	139
Reserves & Surplus	19,246	20,388	22,147	24,378
Total Net Worth	19,385	20,527	22,285	24,517
Minority Interest	33	33	33	33
Total Liabilities	21,051	22,094	23,752	25,883

Source Company data, I-Sec research

Exhibit 16: Quarterly trend

(INR mn, year ending March)

	Dec-22	Mar-23	Jun-23	Sep-23
Net Sales	6,948	6,110	5,876	7,295
% growth (YOY)	(9.2)	(12.4)	(6.6)	(13.4)
EBITDA	800	801	606	808
Margin %	11.5	13.1	10.3	11.1
Other Income	133	170	211	178
Extraordinaries	201	45	20	(47)
Adjusted Net Profit	777	638	500	546

Source Company data, I-Sec research

Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Operating Cashflow	2,224	3,366	2,977	3,444
Working Capital Changes	(1,142)	705	(489)	(544)
Capital Commitments	(677)	(700)	(750)	(750)
Free Cashflow	1,547	2,666	2,227	2,694
Other investing cashflow	(1,328)	-	-	-
Cashflow from Investing Activities	(2,005)	(700)	(750)	(750)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	9	(100)	(100)	(100)
Dividend paid	(485)	(970)	(1,109)	(1,109)
Others	-	-	-	-
Cash flow from Financing Activities	(476)	(1,070)	(1,209)	(1,209)
Chg. in Cash & Bank balance	(257)	1,596	1,018	1,485
Closing cash & balance	325	7,552	8,570	10,055

Source Company data, I-Sec research

Exhibit 18: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	18.3	15.2	20.7	24.1
Adjusted EPS (Diluted)	18.3	15.2	20.7	24.1
Cash EPS	22.2	19.2	25.0	28.8
Dividend per share (DPS)	3.5	7.0	8.0	8.0
Book Value per share (BV)	139.9	148.1	160.8	176.9
Dividend Payout (%)	19.1	45.9	38.7	33.2
Growth (%)				
Net Sales	2.0	(3.1)	12.1	12.1
EBITDA	(15.8)	(15.2)	31.9	15.5
EPS (INR)	(16.8)	(16.9)	35.7	16.5
Valuation Ratios (x)				
P/E	43.2	51.9	38.3	32.9
P/CEPS	35.7	41.2	31.7	27.5
P/BV	5.7	5.3	4.9	4.5
EV / EBITDA	28.5	33.1	24.8	21.1
P / Sales	4.0	4.1	3.6	3.2
Dividend Yield (%)	0.4	0.9	1.0	1.0
Operating Ratios				
Gross Profit Margins (%)	40.2	38.3	40.3	40.7
EBITDA Margins (%)	12.9	11.3	13.3	13.7
Effective Tax Rate (%)	25.7	25.2	25.2	25.2
Net Profit Margins (%)	9.2	7.9	9.5	9.9
NWC / Total Assets (%)	25.4	21.0	21.6	21.9
Net Debt / Equity (x)	(0.4)	(0.4)	(0.5)	(0.5)
Net Debt / EBITDA (x)	(2.1)	(3.0)	(2.6)	(2.6)
Profitability Ratios				
RoCE (%)	11.7	8.8	11.3	12.2
RoE (%)	13.8	10.6	13.4	14.3
RoC (%)	11.7	8.8	11.3	12.2
Fixed Asset Turnover (x)	3.7	3.2	3.3	3.4
Inventory Turnover Days	79	72	77	77
Receivables Days	44	47	50	50
Payables Days	63	68	73	73

Source Company data, I-Sec research

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